News release

Weather and retailers

24 June 2003

New research from independent market analyst, Datamonitor reveals that UK grocery and clothing retailers could be missing out on as much as £4.5 billion per year by failing to take weather forecast information into account when making short term and long term business planning decisions.

The report, *Profiting from Weather Information - An analysis of weather sensitivity in the retail sector*, challenges the regularly used excuse that poor sales, and thus poor financial results, can be blamed on adverse weather conditions.

The report showed that if tailored, reliable weather information was fully utilised by retailers in these sectors to maximise revenue per square foot, up to £4.5 billion in additional revenue could be realised as opposed to not taking account of the weather. This represents 5.7 per cent of total UK grocery and clothing market revenues in 2001.

Met Office's Marketing Director, Jonathan Hearth said: "The findings indicate that there is a substantial opportunity for UK retailers to exploit and improve their ability to mitigate and benefit from the effects of the weather. This means more than just understanding how weather can affect the sales of items such as soft drinks and ice cream but having robust systems and processes in place to adapt supply chains, stock levels, shop displays and marketing promotions to maximise the return on this information.

"The business community must acknowledge that managing the weather and business success go hand in hand and that specific weather information can be used as a business tool. Businesses cannot change the weather but with location specific weather forecasting and modern communications, they can work with the weather and profit from it. If this is possible, there can be no excuse for blaming poor business results on the weather."

Although the weather sensitivity of different products varies significantly, Datamonitor identified that sales of some lines can increase or decrease by as much as 300-400% over short periods, even given fairly small changes in weather conditions. From just knowing that the days before Easter were going to be hot, Safeway, a Met Office customer, was able to adjust weather sensitive stock levels and tailor its in-store promotions, resulting in over £2 million uplift in sales.

The analysis uncovered several specific examples of how important the weather is to UK retailers, and how much of an impact it can have on revenues generated in the grocery and clothing sectors. At one major supermarket chain, the failure to match stock planning with changeable weather conditions meant an estimated £1 million fall in revenues in a single week, whilst at another, a similar situation meant a tripling of wastage levels to £250,000 on one product line over the course of a weekend.

"Grocery sector retailers are generally more advanced and experienced users of weather data in planning their stock and supply lines than companies in the clothing sector," said Alex Solomon, Analyst at Datamonitor. "However, they could improve the way weather information is utilised and integrated into internal business planning. Clothing sector retailers do not use weather information to the same extent. As a result, a substantial lost opportunity on weather-related sales is being seen in the UK clothing sector each week.

"Retailers need to take advantage of the weather information available and see variations in weather as an opportunity to maximise their sales not an excuse for poor business performance."

The Met Office is currently trialling a new innovative retail product enabling customers to make quicker decisions more confidently than before. Users will benefit from being able to tailor their system to include triggers points showing increases and decreases in demand and sales. This makes the output instantly relevant to the customer's business and supply chain helping ensure the right stock is on the shelves at the right time.

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Retail sector weather sensitivity analysis

Retail sector	Opportunity (% total sales)	Value (£m)
Meat & meat products	6.7%	812
Fresh produce	5.6%	419
Soft drinks	5.3%	331
Ice cream	5.2%	73
Chilled food	4.9%	295
Dairy products	4.9%	399
Processed fruit & veg	4.2%	211
Frozen food	3.6%	181
Fish	3.6%	82
Bread & cakes	3.2%	283
Total Grocery	**4.9%**	**3,086**
Clothing	**5.7%**	**1,558**

Table 1: Opportunity by retail sector, 2001

Source: Datamonitor Weather Model, DATAMONITOR

About Datamonitor

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We help our clients, 5000 of the world's leading companies, to address complex strategic issues. Through our proprietary databases and wealth of expertise, we provide clients with unbiased expert analysis and in-depth forecasts for six industry sectors: Automotive, Consumer Markets, Energy, Financial Services, Healthcare and Technology. Datamonitor maintains its headquarters in London and has regional offices in New York, Frankfurt, Hong Kong and Tokyo.

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